Env. & Inflltn, aspa, 10-22-72

Govt. as a source of inflm.

1. What is inflm. CPI measure overloaded w. material goods, understates commons, or env. Some env. is in r.e. values. But if r.e. values fall bec. polluted, that lowers CPI, bec. lower quality not taken into account. Actually, pollm. lowers quality more than price, nationwide, so it is pollm. that inflates.

2. Does ~~govt.~~ effluent & pollm. control ~~cause~~ add to it.

a. The argument pro

Forward shifting

b. But much of cost born by seller

Like a tax. (Conventional assms. are arbitrary)

Reallocates. Causes resources out of polluting indies, but into others i.e. Doesn't destroy resources.

c. On contrary, creates new ress.

The ress. whose service flow was impaired by pollm.

E.g. citrus land around phosphate plants in Fla.

E.g. resid. land in Gary. This is a rise of quality w/o general ↓ of price, hence deflnry.

d. By products sell.

E.g. sulfur from coal. Lower sulfur price. Coal man who forecast no control for this reason.

e. Many things we shd. be doing anyway.

I.e., much pollm. doesn't result from mkt, but from instl. biases in mkt. Soln. is not to amend the mkt, but stop biasing it – a double gain.

1 A. What causes infln.

a. Debasement of currency

b. Cost push

c. ~~Ba~~ Incomes w/o products

i. Pure losses

ii. Investments that don't ripen for a long time.

Slow turnover

Fail to meet nat. payroll, real terms.

Thus, 3 biggest sources of pollu. are auto xptn. & primary extraction & processing; and war

But each is too great anyway.
autos — due to sprawl. So is high cost of severing, & disposing.
Tax bias & tenure bias pro extraction. Cost-push of urban sprawl
And much invasion of wilderness is due to rule of capture, e.g. wtr. rts. And to soil bank type programs.
So is much mil. spending.
~~See Rf 7 outline.~~
See BAS article.

f. To the extent that effl. control is labor-using it uses free inputs until empl. is full.

A cheap argument, since labor-using policies do this regardless of pollu.

3. How pollu. control might add to inflm.

If made needlessly cap. intensive. Tail-end Chardy or new toy syndrome.

Cap.-intensity causes inflm.

Creates inc. but no final ripe goods

Reduces activity of capl. w/o $-\Delta M$ or $-\Delta V$.

Raises i.r., & share of capl-utilities, hsg.